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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

October 19, 2020

9:30 A.M.

A regular meeting of the Public Employees Retirement Board (PERB) convened at 9:43 a.m., Monday, October 19, 2020, in the 1526 Building, 4th Floor, Conference Room 4D, 1526 "K" Street, Lincoln, Nebraska, and held via WebEx services.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, October 9, 2020. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, October 12, 2020. K. Ackerman chaired the meeting and T. Cummings recorded the minutes.

MEMBERS PRESENT:

KELLI ACKERMAN, VICE-CHAIR
JUDGE J. DERR
PAM LANCASTER
JIM SCHULZ
ALLEN SIMPSON
MIKE JAHNKE
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT: JANIS ELLIOTT, CHAIR

NONMEMBERS PRESENT:

RANDY GERKE Director	DEAN GRESS Senior IT Applications Developer
ORRON HILL Legal Counsel/Deputy Director	JOHNETTA LANG Data Services Lead
TERESA ZULAUF Controller	HEATHER CRITCHFIELD-SMITH Education Services Manager
TIM BAKER Internal Auditor	KATE ALLEN Retirement Committee Legal Counsel
JACK HARDY Information Technology Manager	CECELIA CARTER Omaha School Employees' Retirement System
VICKI HUBER Personnel Officer	NANCY REIMER Ameritas
MELISSA NUSS Retirement Plan Manager	PAT BECKHAM Cavanaugh Macdonald
TYLER CUMMINGS Retirement Plan Manager	BRENT BANISTER Cavanaugh Macdonald

MAX KOTARY
Aon
NEIL SULLIVAN
State Budget Office
ERIC ASBOE
Nebraska Supreme Court

JASON HAYES
Nebraska State Education Association
BOB WICKERSHAM
Public Attendee

Agenda Item 1: K. Ackerman stated this meeting will follow the Nebraska Open Meetings Act and a copy of the Act is located on the front table, and electronically, via a link on the final agenda posted on the Nebraska Public Employees Retirement Systems' (NPERS) website, and on the Attorney General's website.

Agenda Items 2 and 3 – Meeting Called to Order: K. Ackerman called the October 19, 2020, Board Meeting to order at 9:43 a.m. Present at roll call: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, J. Schulz, and Michael Walden-Newman. Absent: J. Elliot

Agenda Item 4 – Approval of Minutes: P. Lancaster moved for approval of the minutes of the September 21, 2020, Board Meeting. Motion was seconded by M. Jahnke. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & September Retirement Report: J. Schulz moved to approve the Budget Status Report and the September 2020 Retirement Report. Motion was seconded by A. Simpson. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 7 – Initial Recommendations on Actuarial Assumptions: M. Kotary, with Aon, presented a memo comparing NPERS' Defined Benefit (DB) plans to other public pension plans. M. Kotary stated NPERS' plans have outperformed the median peer over the past ten years by approximately 1.3% per year. The volatility of NPERS' DB plans was about 1.1% higher than the peer median for the past ten years.

M. Kotary presented another memo detailing capital market assumptions (CMA) for Aon and the Horizon Actuarial Services' survey averages. He noted Aon submitted market data as of March 31, 2020, for Horizon's CMA survey conducted during the first half of 2020. The memo compared Aon's CMA to the Horizon survey averages.

B. Banister, from Cavanaugh Macdonald, presented the initial recommendations on actuarial assumptions. He mentioned the inflation assumption will be recommended to be lowered from 2.75% to 2.35%. Due to the COVID-19 pandemic, there has been fluctuation in the financial markets. Therefore, Aon has lowered the nominal rate of return assumption for their

10-year outlook. B. Banister stated it will be recommended NPERS move to an explicit approach in regard to administrative expenses. B. Banister stated the recommendation will be to lower the net investment return assumption to 7.00% from 7.50%.

B. Banister discussed the effects demographic assumptions have on liabilities and costs of retirement plans. He stated the goal is to model the liability experience of NPERS. Demographic assumptions include mortality, retirement rates, lump sum election rate, termination, and disability. Each of these demographic assumptions can either increase or decrease the liabilities and costs of the plan.

The Board took a break at 10:56 a.m. and reconvened at 11:05 a.m.

B. Banister discussed the impact COVID-19 may have on mortality assumptions. He stated it is not clear if the short-term or long-term outlook of pandemic related deaths will have an effect on the plans. B. Banister moved on to discuss the assumed age of retirement for each of the DB plans.

The liability impacts for each plan were discussed by B. Banister. He discussed the estimated impact on the funded ratio for each plan. In each plan, the estimated funded ratio has been lowered. The estimates are lower mostly due to inflation, however, for some plans it is due to demographic changes.

B. Banister mentioned the actuarial methods used for actuarial assumptions. He then discussed four proposed actuarial standards of practice which may require NPERS to disclose a contribution rate that meets certain "reasonable" parameters.

J. Schulz stated that using an explicit expense approach may have an impact on the funding liability for the Judges and Patrol plans.

B. Banister concluded stating most of the demographic changes are minor. He also stated the economic assumption changes are more significant and the change in the price inflation assumption was the change that impacted other economic assumptions the most. He mentioned any changes will need to be voted on by the PERB and further discussion could take place at the November meeting.

Agenda Item 8 – Employee Recognition: R. Gerke and H. Critchfield-Smith presented a video for the Excellence in Leadership Award. Thomas Wuestewald and Dean Gress were both recognized for receiving this award.

H. Critchfield-Smith mentioned this video, along with Years of Service videos, are posted to the NPERS website.

K. Ackerman thanked D. Gress and T. Wuestewald for their hard work and service to the Agency.

Agenda Item 9 – Legal/Legislative Update: O. Hill reported he has been reviewing the Rules and Regulations to ensure they comply with the recommendations contained in the Legal Compliance Audit. He discussed the changes will need to comply with the Secretary of State's (SOS) formatting protocols and ensure applicable changes reflect current law.

O. Hill mentioned the Internal Revenue Service (IRS) released Notice 2020-62 which updated the Safe Harbor explanations. The notice takes into account recent statutory changes under the SECURE Act. The Safe Harbor Notice is required to be provided to a member anytime a portion of a benefit is eligible for a roll over.

He discussed IRS Notice 2020-68 which provides additional guidance for the Miner's Act and SECURE Act. He stated there are certain optional distributions within this guidance and the PERB cannot ask to adopt these changes as it would likely be deemed the PERB would be seeking the enhancement of plan benefits.

O. Hill thanked the Board for allowing him to partake in continuing legal education through an online forum during the week of October 12 through 16.

J. Schulz moved to approve the Legal/Legislative Update. Motion was seconded by A. Simpson. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Excuse Board Member: P. Lancaster moved to excuse J. Elliott. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, J. Schulz, A. Simpson, and M. Jahnke. Against: None. Motion carried.

Agenda Item 10 – Director's Report: R. Gerke provided the Director's Report

- R. Gerke summarized the National Council on Teacher Retirement (NCTR) Conference he attended virtually from October 12 through 14, 2020. It was discussed that the pandemic has created many challenges for educators.
- R. Gerke discussed the NCTR Information Technology (IT) security learning session which covered topics such as increased IT risks, teleworking, and reassuring members of our IT security.
- He reported the NCTR conference covered a range of topics and sessions including racial inequality, emerging markets, sustainable investing, actuarial presentation, and networking.
- R. Gerke stated J. Elliot is the new Treasurer for the NCTR. R. Gerke thanked the PERB for allowing him to attend the conference.
- The School, Judges, and Patrol plan audit began October 6.
- The Investment Fund changes project is moving forward and the new funds will be available December 4, 2020. H. Critchfield-Smith is working with the Nebraska Investment Council (NIC) to prepare materials for these changes. Ameritas will be sending out a letter the second week of November to members affected by this change.
- Print-to-mailroom (PTM) numbers have increased again after a decrease this summer.

- The School online non-contributing forms have also increased with 176 schools now setup to submit these forms electronically. R. Gerke mentioned over 900 non-contributing forms have been submitted electronically.
- The NPERS website redesign is still underway. Currently, there are still discussions on whether to use Nebraska Interactive or using a third-party developer.
- The compliance audit hearing for the Legislative Retirement Committee is on Friday, November 6 at 1:30 pm.
- Sen. Kolterman requested R. Gerke to attend a Better Together Coalition. He invited the Better Together Coalition to attend this month's PERB meeting. R. Gerke provided the coalition with informational materials such as tax change letters, cost of living adjustment (COLA) letters, annual statements, and links to newsletters and videos on the NPERS website.
- Member Services will be conducting its first virtual office visit this Friday, October 23.
- H. Critchfield-Smith was hired to fill the Education Services Manager position. Also, the Training Specialist I position has been filled as of this past Friday. There are currently openings for the following positions: Data Services Manager, Accountant I, Auditor I, and Office Clerk III.

J. Derr moved to approve the Director's Report. Motion was seconded by P Lancaster. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 11 – Board Committee Reports: There were none.

Agenda Item 12 – Board Education/Travel Requests: There were none.

Agenda Item 13 – Future Meetings/Agendas: The next PERB meeting is on Monday, November 16, 2020, in the 1526 Building, Lower Level, Development Center.

R. Gerke suggested the next PERB Meeting not be held via WebEx and to open the meeting up to the public.

Agenda Items 14 and 15 – Executive Session: At 12:53 p.m., M. Jahnke moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Case Review No. D-20-12; Prevention of Needless Injury to the Reputation of an Individual. Motion was seconded by J. Derr. K. Ackerman repeated the motion for the record. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

At 1:29 p.m., M. Jahnke moved the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by J. Derr. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

M. Jahnke moved for approval of Case Review No. D-20-12. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Adjournment: A. Simpson moved that the meeting adjourn. Motion was seconded by P. Lancaster. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

The meeting adjourned at 1:33 p.m.

A handwritten signature in blue ink, appearing to read "Randy Gerke". The signature is stylized and cursive.

Randy Gerke
Director